



County of Los Angeles
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Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 20, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Hearings on the Governor's Health Care Reform Proposal

On February 15, 2007, the Senate Health Committee held an informational hearing on the Governor's Health Care Reform Proposal. Representatives from the Administration, the Legislative Analyst's Office (LAO), and several Statewide organizations, including CSAC, SEIU, and the California Nurses Association (CNA) provided testimony.

The LAO presented the fiscal risks that the plan poses to the State, as well as potential legal obstacles under Federal law which governs employer health benefit plans. The complete LAO report is attached. The LAO believes that up to \$1.4 billion in Federal funds (\$250 million for Medi-Cal coverage for childless adults; \$750 million from the Hospital Waiver's Safety Net Care Pool; and \$350 million in SCHIP funding), and up to \$1.0 billion in realignment revenue from counties, appear to be at risk. The LAO also indicates that the State may have understated the number of uninsured and that the cost of providing coverage through the State's purchasing pool could be higher than anticipated. On a positive note, the LAO estimates that up to \$600 million in additional State resources may be available to offset State costs associated with implementing the health care reform plan.

Most of the Statewide organizations endorsed the idea of universal coverage and increasing Medi-Cal reimbursement to improve access, but they also have many concerns. The California Medical Association and the California Hospital Association view the use of a provider fee as a mechanism to draw down additional federal funds as "hugely problematic" for their members. SEIU dislikes the individual mandate because it is not viewed as a "shared responsibility." While the employer's mandate is limited to four percent of its payroll, the individual's financial responsibility is potentially unlimited. The CNA expressed concerns with the Governor's proposal, particularly regarding lack of affordability which could cause consumers to forego appropriate treatment. They favor a single-payer model.

Yolo County Supervisor Helen Thomson, Chair of CSAC's Health and Human Services Policy Committee, told members that counties are concerned about indigent clients who will not meet Federal citizenship requirements, and the impact that the shift of realignment funds to the State would have on counties. Supervisor Thomson stressed that realignment is a very complicated program, that the revenues pay for a variety of local services, and if diverted, would negatively impact public health, mental health, and social services programs. Kim Belshé, Health and Human Services Agency Secretary, recognized the realignment concerns of counties, and has pledged to work with CSAC.

Senate Health Chair, Sheila Kuehl, commended the Governor for bringing a universal health plan forward, and for elevating the issue nationwide. However, she was critical of the individual mandate to buy insurance, especially for those working Californians who would not be eligible for subsidized coverage under the Governor's proposal. Senator Kuehl made it clear that she intends to reintroduce her single-payer universal health care proposal, which was vetoed by the Governor last year.

The Assembly Health Committee also is scheduled to hold an informational hearing regarding health care reform on Tuesday, February 20, 2007, which will include Governor Schwarzenegger, Assembly Speaker Fabian Núñez, and Senate pro Tem Don Perata. Following a discussion by committee members, stakeholders will have the opportunity to voice their viewpoints on these proposals.

Senator Kuehl Set to Introduce Universal Coverage Legislation

Senator Sheila Kuehl has scheduled a press conference at the State Capitol for Tuesday, February 27, 2007 to introduce the "new and improved SB 840, the California Universal Health Care Act of 2007." Following the press conference, the Assembly Health Committee will hold a hearing on the single-payer health plan.

Each Supervisor
February 20, 2007
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Status of County-Interest Legislation

SB 113 (Calderon), which would require that the Presidential primary election be held on the first Tuesday in February in any year evenly divisible by the number four and that the primary not be consolidated with any Statewide direct primary held in that year, was amended to state the intent of the Legislature to fully reimburse counties for the costs of these new elections in an expeditious manner upon certification of costs. SB 113 passed the Senate by a vote of 31 to 5 on February 13, 2007, and now moves to the Assembly.

We will continue to keep you advised.

DEJ:GK
MAL:DS:MR:hg

Attachment

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

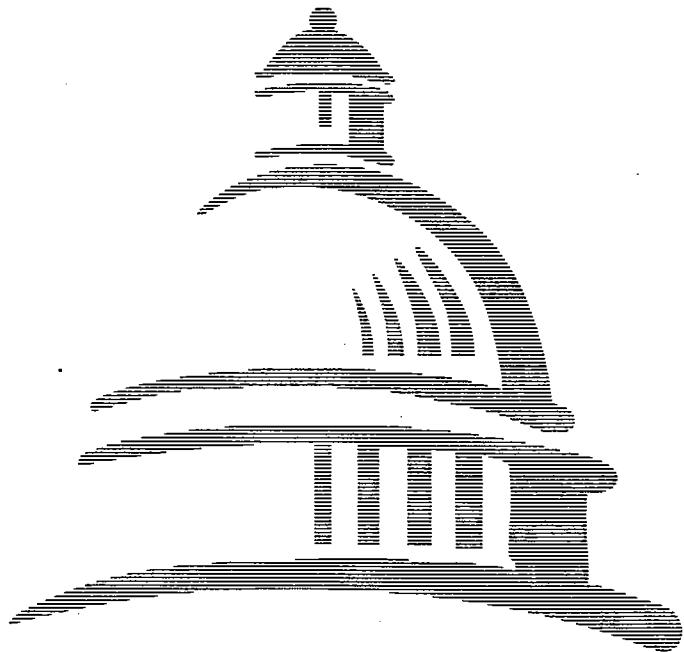


February 15, 2007

Governor's Health Care Plan: State Fiscal Risks

LEGISLATIVE ANALYST'S OFFICE

Presented To:
Senate Health Committee
Hon. Sheila Kuehl, Chair





Governor's Health Coverage Plan Proposed Sources of Coverage For the Uninsured

Currently Uninsured Population	Total Uninsured	Proposed Source of Coverage					
		Medi-Cal	Healthy Families	State Purchasing Pool	Local Government	Employer- Based Coverage	Individual Private Insurance
Children (Regardless of Citizenship Status) In Families:							
Up to 100% of the FPL ^a	220,000	220,000	—	—	—	—	—
Between 100% and 300% of the FPL	250,000	—	250,000	—	—	—	—
Above 300% of the FPL	260,000	—	—	—	—	210,000	50,000
Total Children	730,000	220,000	250,000	—	—	210,000	50,000
Adults:							
Legal residents up to 100% of the FPL	630,000	630,000	—	—	—	—	—
Legal residents between 100% and 250% of the FPL	1,200,000	—	—	1,000,000	—	200,000	—
Legal residents above 250% of the FPL	1,100,000	—	—	—	—	370,000	730,000
Undocumented adults	950,000	—	—	—	750,000	40,000	160,000
Total Adults	3,880,000	630,000	—	1,000,000	750,000	610,000	890,000
Total Uninsured Persons	4,610,000^b	850,000	250,000	1,000,000	750,000	820,000	940,000
^a Federal Poverty Level. ^b Although the Governor's plan states that it will provide coverage to 4.8 million uninsured persons, the administration has only presented population estimates for these 4.6 million persons. The difference may be attributable to rounding or other technical data issues. Source: Administration's estimates.							



Governor's Health Coverage Plan Net Effects of Coverage Shifts

	Medi-Cal	Healthy Families	State Purchasing Pool	Local Government	Employer-Based Coverage	Individual Private Coverage
Uninsured Persons Obtain Coverage^a	850,000	250,000	1,000,000	750,000	820,000	940,000
Coverage Shifts:						
Children shift from Medi-Cal to Healthy Families	-679,000	679,000	—	—	—	—
Children shift from employer coverage to Healthy Families	—	260,000	—	—	-260,000	—
Adult Medi-Cal enrollees shift to purchasing pool	-215,000	—	215,000	—	—	—
Adults shift from employer-based or individual coverage to purchasing pool	—	—	700,000	—	-560,000	-140,000
Net Effects of Coverage Expansion	-44,000	1,189,000	1,915,000	750,000^b	—	800,000
^a Amounts equal category totals shown on page 1.						
^b The administration indicates that estimates of certain persons who currently receive some health care services through county-operated programs or facilities are included in other groups.						
Source: Administration's estimates.						



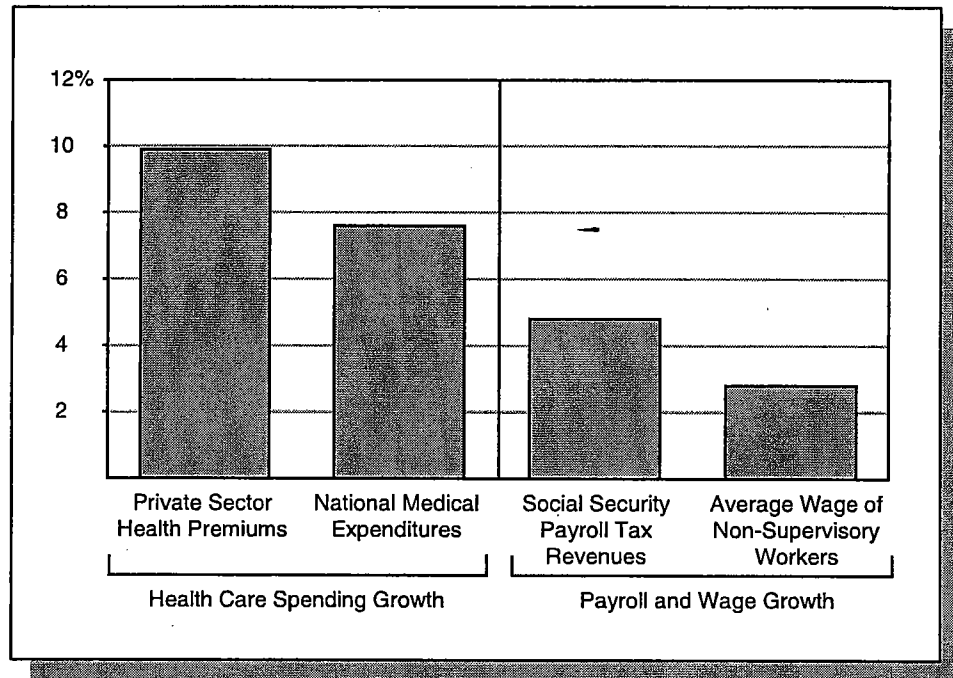
LAO Assessment of Major Fiscal Uncertainties

- ☒ **Potential Legal Obstacles.** A federal law governing employer health benefit plans could block key features of the Governor's plan.
- ☒ **Availability of Federal and Local Funds.** Up to \$1.4 billion in federal funds and up to \$1 billion in the revenue from counties assumed in the Governor's plan appear to be at risk.
- ☒ **Economic and Demographic Risks.** Costs of the plan could be higher than forecast to the extent that: (1) the uninsured population is larger; (2) growth in costs of medical care outpaces the growth in wages and payrolls; or (3) the cost of providing coverage through the state pool is higher than anticipated.
- ☒ **Flows From Private to Public Insurance.** Although the administration's assumptions regarding movements between private insurance and new public coverage generally appear plausible, some uncertainties and potential risks remain.
- ☒ **Potential Additional Funds.** The Governor's plan appears to overstate state revenue losses due to the requirement that employers offer Section 125 tax plans. The plan also does not account for some additional funds that could be available due to additional premium payments and the elimination of redundant programs. On balance, we estimate that the plan does not recognize up to \$600 million in state resources that may be available.



Medical Costs Grow Faster Than Payrolls

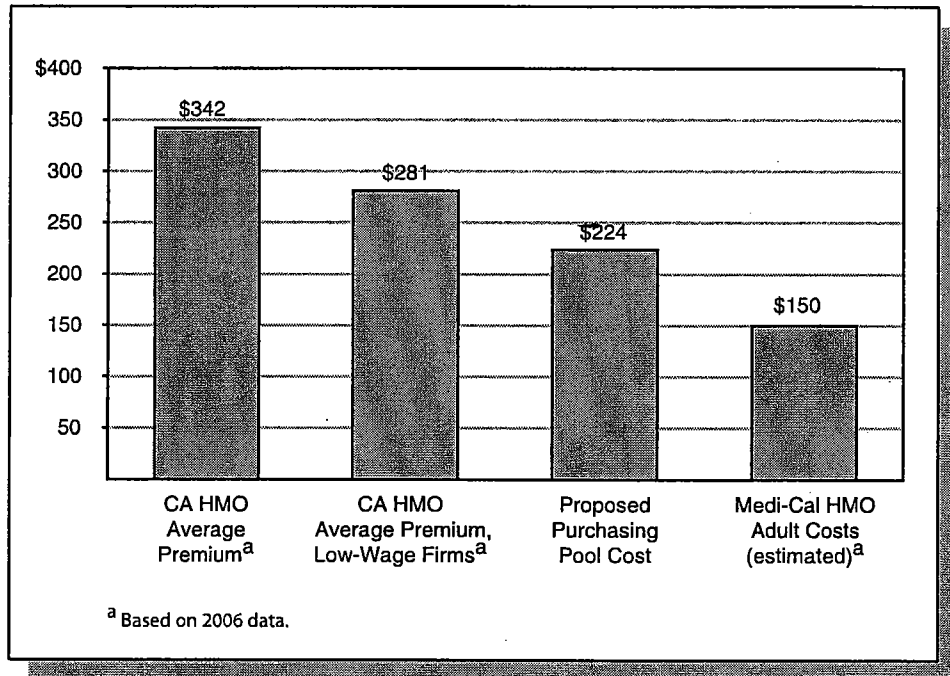
Average Annual Growth, 1998 Through 2005





Purchasing Pool Costs Per Member Lower Than Private Sector HMO Premiums

Charge Per Month





LAO Assessment of Major Fiscal Uncertainties

Dollars in Millions

	Potential Annual Additional State Costs	
	Low Estimate	High Estimate
Potential Additional Costs		
Some federal matching funds unavailable	—	\$1,350
Medi-Cal coverage for childless adults	—	(250)
Hospital Safety Net Care Pool	—	(750)
SCHIP funding	—	(350)
Revenue from counties unavailable	—	1,000
Higher number of uninsured persons	\$100	500
Health care cost inflation	400	Unknown above \$400
Higher cost of coverage in purchasing pool	250	Unknown above \$250
Subtotal Costs	\$750	\$3,500 or more
Potential Additional Funds		
Lower state revenue losses	\$500	\$300
Additional resources possible	100	50
Subtotal Revenues	\$600	\$350
Total Net Costs	\$150	\$3,150 or more